

Channels of Distribution

Connecting the products/
services with consumers.

Channel

Channel Intensity

Channel Length

Exclusive Distribution

Selective Distribution

Intensive Distribution

Channels of Distribution

Producer

Ultimate Consumer

Industrial User

Middlemen

Intermediaries

Retailers

Wholesalers

Distributor

Agents

Direct and Indirect Channels

Exclusive Dealing

Tying Arrangements

Full Line Forcing

Closed Territories

Exploitation

Coercion

Slotting Allowance

Questions to Answer before Distribution

- 1.) Where and when will the product will be produced, sold and used?
- 2.) What characteristics of the product will affect distribution - Quantity, Size, Packaging?
- 3.) What special physical handling is necessary?
- 4.) Who will be responsible for each of the distribution activities?
- 5.) Does the channel fit our organization?
- 6.) Does the channel fit the target customer and the brands position?





Goal: Match what the business produces and what the consumer wants to buy.

The Goal of Distribution

Adapting for Differences

Channels of distribution are designed to help differences in:

- ❖ Quantity - Producers
- ❖ Assortment - Intermediaries
- ❖ Location - Intermediaries
- ❖ Time of Production and Consumption

Each member of the channel assists in the adjustment



The Channels of Distribution

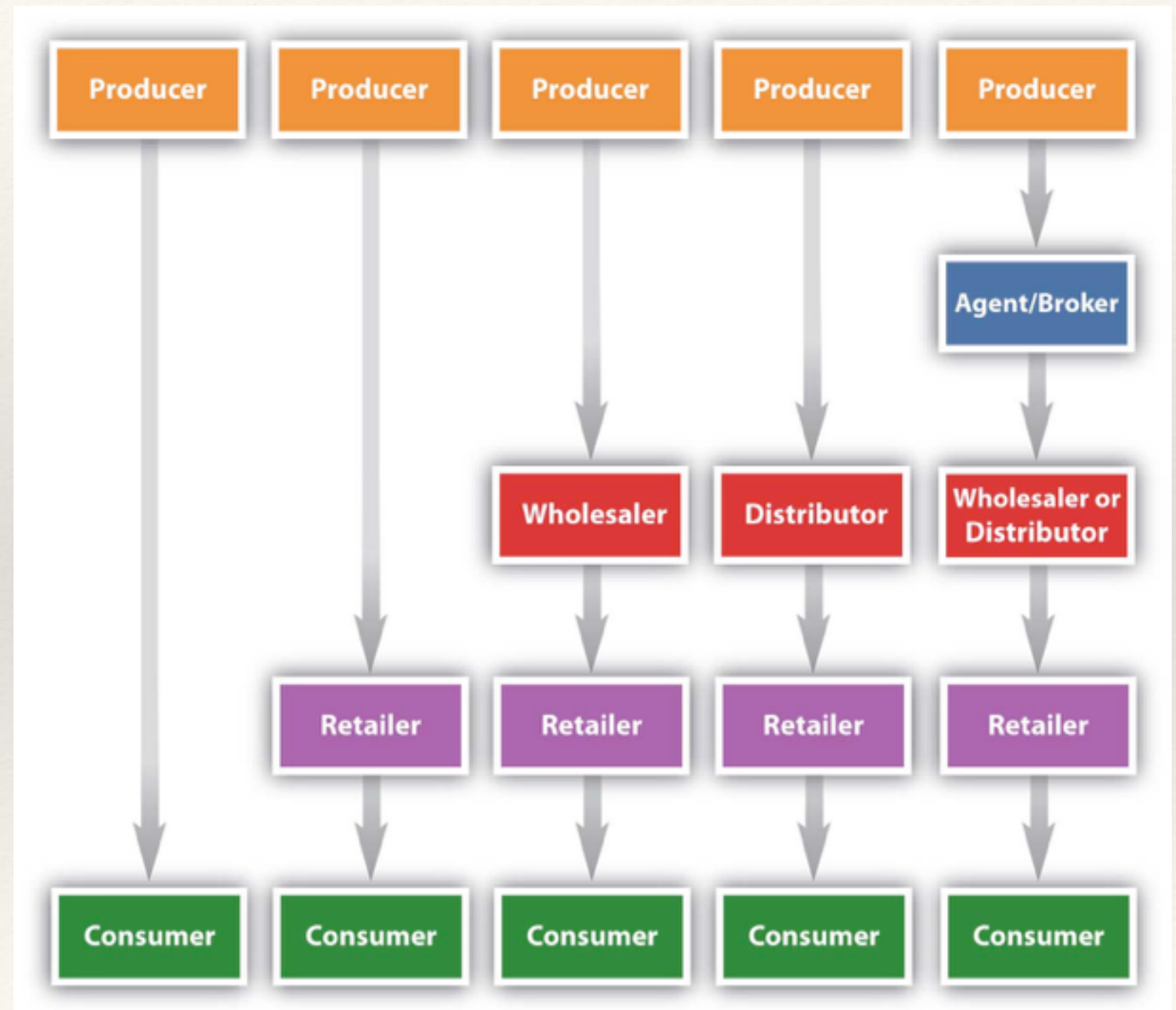
Direct and Indirect

Things to Consider:

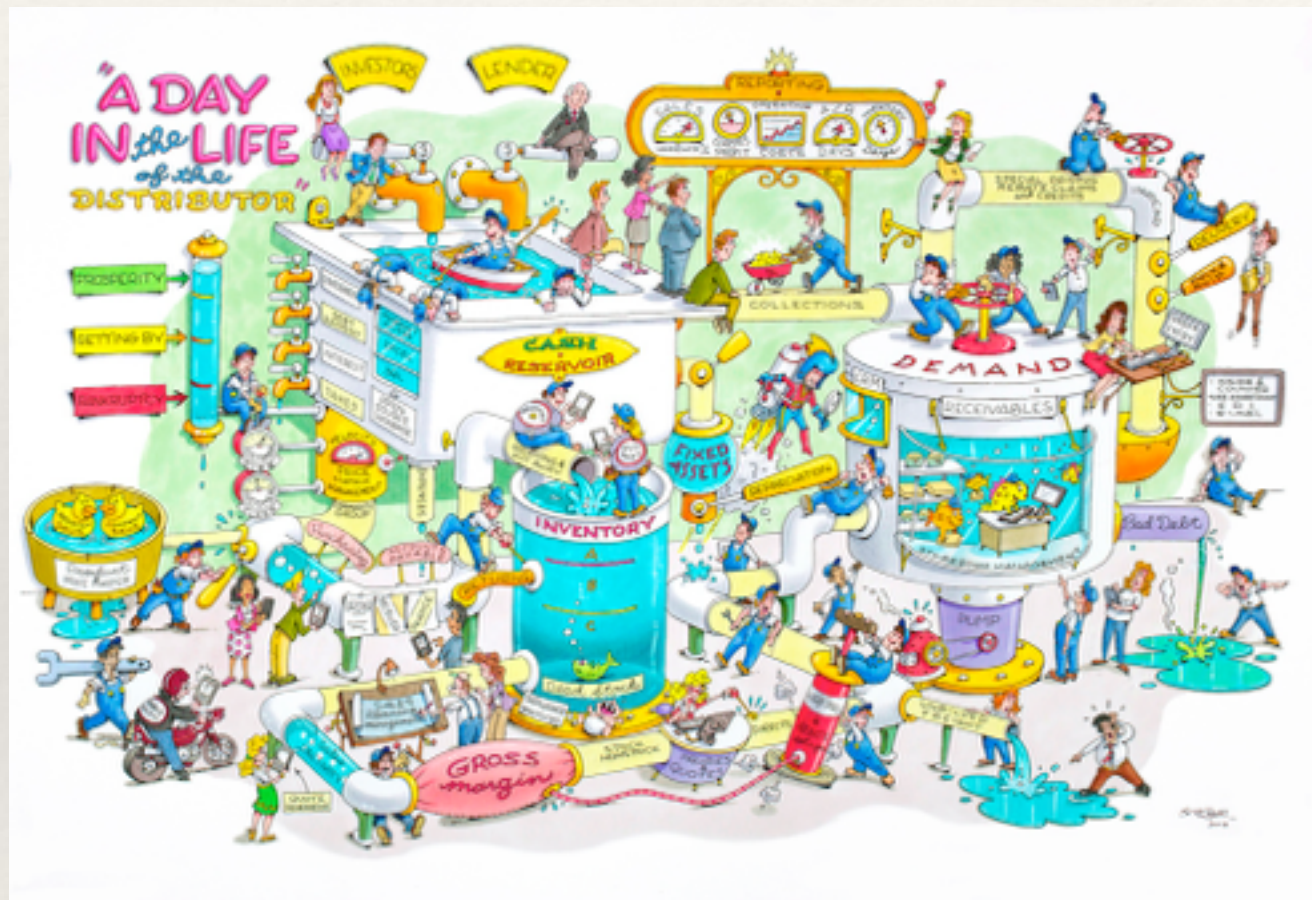
- Selecting Members
- Managing Members
- Evaluating Members

Channel Choices

- Based on your Channel of distribution Questions



The Channels - Things to Consider



Channel Intensity

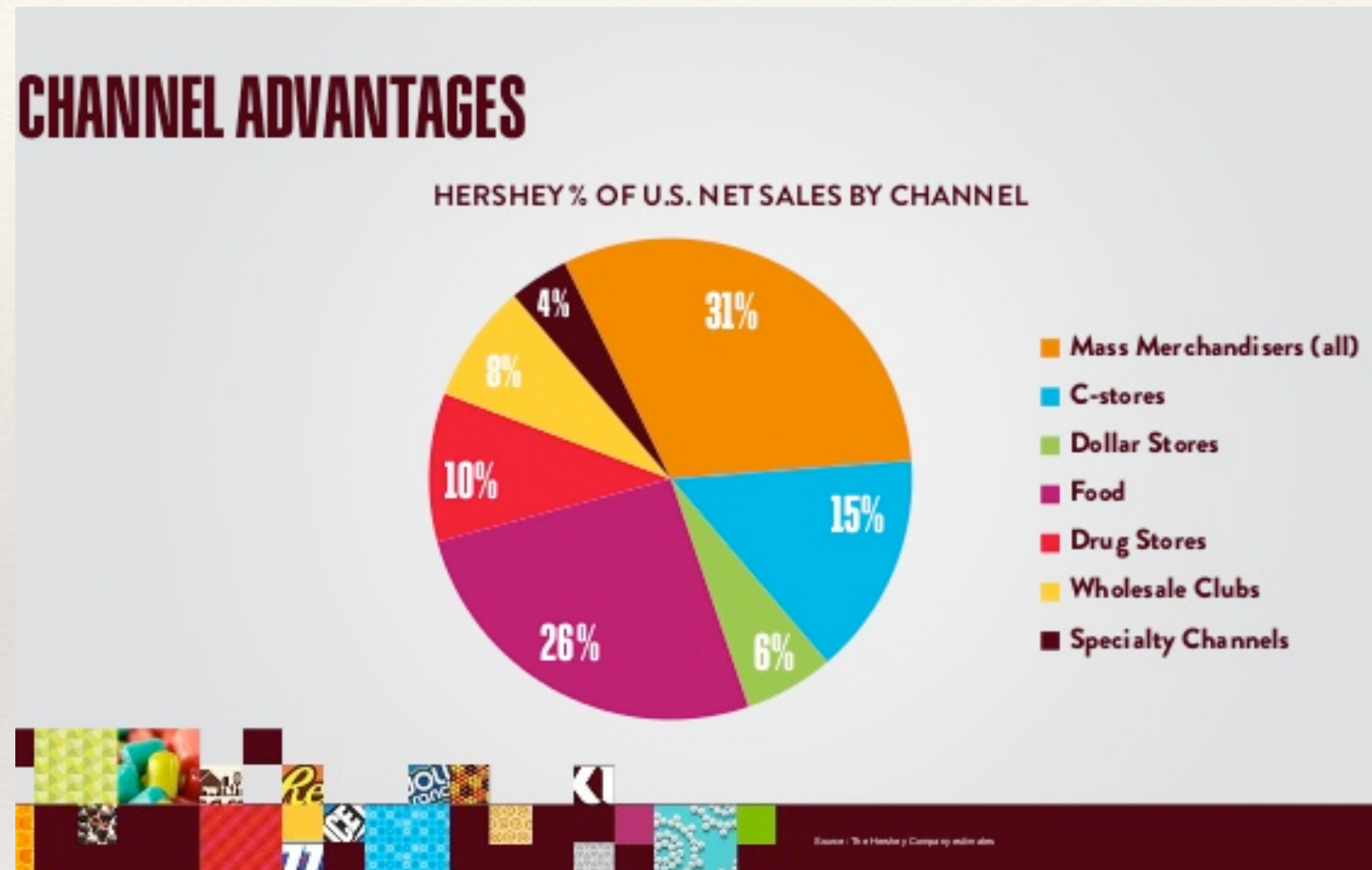
- Exclusive
- Selective
- Intensive

What value is being added by the channel members?

When does the channel become most effective?

The Channel Design

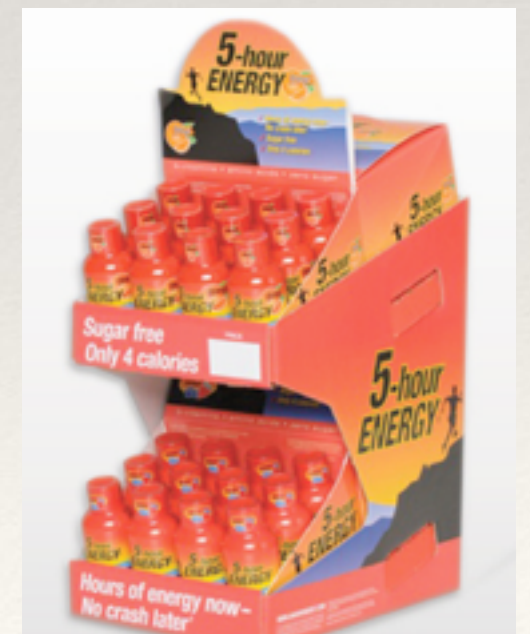
- The Customer Needs
- Objectives of the Channel
- Which Intermediaries?
- Selective, Intensive or Exclusive
- Intermediary Responsibilities



Distribution Channel Tasks

The Intermediary Responsibilities:

- ❖ Marketing
- ❖ Packaging
- ❖ Financing
- ❖ Storage
- ❖ Delivery
- ❖ Merchandising
- ❖ Selling



Channel Members

Producer

- ❖ Develops the Product
- ❖ Answers the Distribution Questions
- ❖ Wants to connect with the consumer in the best ways
- ❖ Starts the Distribution Process
- ❖ Tasks Include:
 - ❖ Marketing, Packaging, Delivery, Selling, Financing



Channel Members

Distributor

- ❖ Contracts with Producers
- ❖ Purchases from a specific manufacturer or charges them fees to perform services.
- ❖ Activities Include:
 - ❖ Stores, Delivers, Markets, Packaging, Merchandises and Selling



Channel Members

Wholesaler

- ❖ Buy and resell large quantities of products from one or more supplier to resellers, retailers, distributors and other wholesalers.
- ❖ Typically Multiple Producers
- ❖ Activities Include:
 - ❖ Storing, Transporting, Packaging, Selling



Channel Members

Agent

- ❖ Intermediary between Producers and its customers.
- ❖ Sales Contact
- ❖ Used in complicated buying situations
- ❖ Activities include:
 - ❖ Markets, Sells



Channel Members

Retailer

- ❖ Reseller of goods and services
- ❖ Common connection point with consumers
- ❖ Activities include:
 - ❖ Packaging, Merchandising, Delivers, Sells, Finances, Markets



Types of Retailers

- ❖ Convenience
- ❖ Superstores
- ❖ Department Stores
- ❖ Specialty





Channel Management

Legal and Ethical Situations
that arise in the distribution
process.

Ethical Scenarios

Exclusive Dealing

Tying Arrangements

Full Line Forcing

Closed Territories

Exploitation

Coercion

Slotting Allowance

